

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-002-E - ORDER NO. 95-1560 ✓
SEPTEMBER 25, 1995

IN RE: Adjustment of Base Rates for Fuel) ORDER APPROVING
Costs of Carolina Power & Light) BASE RATES FOR
Company.) FUEL COSTS

On September 13, 1995, the Public Service Commission of South Carolina ("the Commission") held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Carolina Power & Light Company ("CP&L" or "the Company") to provide service to its South Carolina retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., 58-27-865 (Law. Co-op., Supp. 1994). The review of this case is from January 1995 through June 1995.

At the public hearing, William F. Austin, Esquire, and Len S. Anthony, Esquire, represented CP&L; Elliott F. Elam, Jr., Esquire, represented the Intervenor, the Consumer Advocate for the State of South Carolina ("the Consumer Advocate"); and Florence P. Belser, Staff Counsel, and Catherine D. Taylor, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of Dr. John L. Harris, Richard B. Meschke, and Hugh K. Evans on behalf of CP&L; the testimony of Jacqueline R. Cherry and A.R. Watts on behalf of the Commission Staff; and five (5) hearing exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. The record of this proceeding indicates that for the period from January 1995 through June 1995 CP&L's total fuel costs for its electric operations amounted to \$235,089,738. Hearing Exhibit No. 4, Accounting Exhibit E.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for CP&L's fossil, nuclear, and hydroelectric plants for January 1995 through June 1995. The fossil generation ranged from a high of 64.97% in May to a low of 34.54% in March. The nuclear generation ranged from a high of 62.18% in March to a low of 33.55% in May. The percentage of generation by hydro ranged from a high of 3.28% in March to a low of 1.32% in April. Hearing Exhibit No. 5, Utilities Department Exhibit No. 3.

3. During the January 1995 through June 1995 period, coal suppliers delivered 4,066,532.38 tons of coal. The Commission Staff's audit of CP&L's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$39.33 per ton in May to \$56.58 per ton in June. Hearing Exhibit No. 4, Accounting Exhibit A.

4. According to CP&L's witness Hugh K. Evans, the performance of CP&L's nuclear units equals or exceeds that of comparable facilities as demonstrated thusly:

CP&L system actual capacity factors -

| | | |
|------------------------|-------|-----------------|
| CP&L data for PWRs | | |
| January 1995-June 1995 | 86.8% | 1 unit refueled |
| CP&L data for BWRs | | |
| January 1995-June 1995 | 86.6% | 1 unit refueled |

National average capacity factors -

| | |
|--------------------|--------|
| NERC data for PWRs | |
| 5 year 1990-1994 | 72.8% |
| NERC data for BWRs | |
| 5 year 1989-1993 | 62.86% |

5. Staff collected and reviewed certain generation statistics of major CP&L plants for the six months ending June 30, 1995. Hearing Exhibit No. 5, Utilities Department Exhibit 4. The nuclear fueled Harris Plant and Brunswick No. 2 Plant had the lowest average fuel cost at 0.49 cents per kilowatt-hour. The highest amount of generation was 5,627,664 megawatt-hours produced at the coal fueled Roxboro Plant.

6. The Commission Staff conducted an extensive review and audit of CP&L's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline R. Cherry, testified that CP&L's fuel costs were supported by the Company's books and records. Testimony of Cherry; Hearing Exhibit No. 4, Accounting Department Exhibits.

7. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment

of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. S.C. Code Ann. §58-27-865 (Law. Co-op., Supp. 1994), establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

8. The record of this proceeding indicates that the comparison of CP&L's fuel revenues and expenses for the period January 1995 through June 1995 produces an over-recovery of \$4,485,463.¹ Staff added the projected under-recovery of \$2,484,328 for the month of July 1995, the projected under-recovery of \$1,110,083 for the month of August 1995, and the projected over-recovery of \$98,714 for the month of September 1995 to arrive at a cumulative over-recovery of \$989,766 as of September 1995. Testimony of Cherry, pp. 5-6.

9. CP&L's projected average fuel expense for the period of October 1995 through March 1996 is 1.355 cents per kilowatt-hour.

1. The Company's May 1995 deferred fuel costs differed from the Staff's figures. The Company miscalculated its Purchased Power and Intersystem Sales in May 1995. Staff reflected the correct Purchased Power of \$19,136,097 and Intersystem Sales of \$9,038,187 for May 1995. The effect of these corrections on the deferred fuel account, on a South Carolina basis, reduced the under-recovery for May 1995 from \$1,636,872 (per the Company's books and records) to \$1,564,353, which is a difference of \$72,519. The Company's correction of \$72,519 to the cumulative balance of the deferred account will be reflected in the Company's July 1995 per book figures.

This projected fuel expense includes an adjustment for the projected over-recovery at September 1995. Harris Testimony, p. 4.

10. Company witness Harris proposed that the fuel factor be continued at the current level of 1.340 cents per kilowatt-hour for the next six-month period. Harris Testimony, p. 4.

11. Hearing Exhibit No. 5 reveals that using the currently projected sales and fuel cost data and the projected cumulative over-recovery of \$989,766 through September 1995, the average projected fuel expense is estimated to be 1.355 cents per kilowatt-hour for the six months ending March 1996. Applying this fuel factor of 1.355 cents per kilowatt-hour would produce an estimated under-recovery of \$2,910 for the next period. The currently approved fuel factor is 1.340 cents per kilowatt-hour. Hearing Exhibit No. 5, p. 5 and Utilities Department Exhibit 10.

12. During the period under review, Brunswick Unit 1 and Robinson Unit 2 were down for refueling during some portion of the period. The nuclear units operated very well during the period under review. One forced outage was experienced by Robinson Unit 2 commencing on June 30, 1995, and extending into the next review period.² All outages, except the June 30, 1995, outage at Robinson Unit 2, were reviewed by Staff (Hearing Exhibit No. 5, Utilities Department Exhibit 2A), and a determination was made by Staff as to

2. Staff recommended that review of the forced outage beginning June 30, 1995, at Robinson Unit 2 be carried over to the Company's next review period. Mr. Watts testified that at the time of his examination there had not been enough time for all reviews and compilation of documents regarding the June 30, 1995, outage at Robinson Unit 2. Testimony of Watts, pp. 2-3.

the prudence of the outages. Staff determined that there were no Company actions which required CP&L's customers to incur higher fuel costs. Therefore, no disallowances of any fuel costs during the review period were recommended. Testimony of Watts, p. 2.

CONCLUSIONS OF LAW

1. Pursuant to S.C. Code Ann., §58-27-865(A)(Law. Co-op., Supp. 1994), each electrical utility must submit to the Commission its estimated fuel costs for the next six (6) months. Following an investigation of these estimates and after a public hearing, the Commission directs each electrical utility "to place in effect in its base rate an amount designed to recover, during the succeeding six months, the fuel costs determined by the Commission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding six-month period." Id.

2. S.C. Code Ann., Section 58-27-865(F)(Law. Co-op., Supp. 1994) requires the Commission to allow electrical utilities to recover "all their prudently incurred fuel costs... in a manner that tends to assure public confidence and minimize abrupt changes in charges to consumers."

3. As stated by the Supreme Court in Hamm v. South Carolina Public Service Commission, 291 S.C. 178, 352 S.E.2d 476, 478 (1987), Section 58-27-865(E) requires the Commission "to evaluate the conduct of the utility in making the decisions which resulted in the higher fuel costs. If the utility has acted unreasonably, and higher fuel costs are incurred as a result, the utility should not be permitted to pass along the higher fuel costs to its

customers." "[T]he rule does not require the utility to show that its conduct was free from human error; rather it must show it took reasonable steps to safeguard against error." Id. at 478, citing Virginia Electric and Power Co. v. The Division of Consumer Council, 220 Va. 930, 265 S.E.2d 697 (1980).

4. The Commission recognizes that Section 58-27-865(E) provides it with the authority to consider the electrical utility's reliability of service, its economical generation mix, the generating experience of comparable facilities, and its minimization of the total cost of providing service in determining to disallow the recovery of any fuel costs.

5. After considering the directives of §58-27-865(A) and (F) which require the Commission to place in effect a base fuel cost which allows the Company to recover its fuel costs for the next six months adjusted for the over-recovery or under-recovery from the preceding six month period, in a manner which assures public confidence and minimizes abrupt changes in charges, the Commission has determined that the appropriate base fuel factor for October 1995 through March 1996 is 1.340 cents per kilowatt-hour. The Commission finds that a 1.340 cents per kilowatt-hour fuel component will allow CP&L to recover its projected fuel costs and, at the same time, prevent abrupt changes in charges to CP&L's customers.

IT IS THEREFORE ORDERED THAT:

1. The base fuel factor for the period October 1995 through March 1996 is set at 1.340 cents per kilowatt-hour.

2. In Order No. 95-781, dated March 28, 1995, the Commission approved a change in CP&L's Rider which made the language of the Rider generic concerning the length of time the fuel factor is in effect. As this Order continues, the fuel factor previously authorized in Order No. 95-781 CP&L does not need to file a new rate schedule pursuant to this Order.

3. CP&L shall comply with the notice requirements set forth in S.C. Code Ann., §58-27-865(A) (Law. Co-op., Supp. 1993).

4. CP&L shall continue to file the monthly reports as previously required.

5. CP&L shall account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. CP&L shall submit monthly reports to the Commission of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. The Robinson Unit 2 outage which began on June 30, 1995, will be reviewed in the Company's next fuel proceeding.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


CHAIRMAN

ATTEST:


Executive Director

(SEAL)

CAROLINA POWER & LIGHT COMPANY
Adjustment for Fuel Costs

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of fuel in an amount to the nearest one ten-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F= Fuel cost per Kilowatt-hour included in base rate, rounded to the nearest one ten-thousandth of a cent.

E= Total projected system fuel costs:

(A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

(B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

PLUS

(C) Interchange power fuel costs such as Short Term, Economy, and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

(D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue related tax factor is to be included in these calculations.

The fuel cost (F) as determined by the Public Service Commission of South Carolina is 1.340 cents per kilowatt-hour, which shall remain in effect until superseded by a subsequent Commission Order.